

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 EB-08 /018 W

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TO USDOC WASHDC PRIORITY

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E.O. 11652: N/A

TAGS: BEXP, RP

SUBJ: MARKET BRIEF: ELECTRIC ENERGY SYSTEMS AND PARTS

REF: A. USDOC 00366, B. MANILA 1694

1. THE MAGNITUDE OF THE PHILIPPINE MARKET FOR ELECTRIC ENERGY SYSTEMS AND PARTS (EES & P), LARGELY REPRESENTED BY IMPORTS, IS EXPECTED TO GROW AT AN AVERAGE ANNUAL RATE OF 24 PERCENT DURING THE 1977-1980 PERIOD, A PACE THAT SHOULD BOOST ANNUAL CONSUMPTION FROM \$106.7 MILLION IN 1976 TO \$250 MILLION IN 1980.

2. GROWTH IN THE DEMAND FOR ELECTRIC POWER GENERATING AND DISTRIBUTION EQUIPMENT IS ATTRIBUTABLE TO THE GOP'S ACCELERATED POWER DEVELOPMENT PROGRAM WHICH IS DESIGNED TO A) ESTABLISH AN ELECTRICAL COOPERATIVE IN EACH PROVINCE AND TO COMPLETE THE COUNTRY'S BACKBONE TRANSMISSION SYSTEM BY THE CLOSE OF 1977; B) TO PROVIDE ELECTRICITY TO ALL BARRIOS BY 1984; AND C) TO ATTAIN TOTAL ELECTRIFICATION OF THE COUNTRY BY 1990. TOWARDS THAT END, THE NATIONAL POWER CORPORATION (NPC) IS CURRENTLY UNDERTAKING SEVERAL GENERATION/TRANSMISSION PROJECTS THAT ARE IN VARIOUS STAGES OF CONSTRUCTION. MAJOR PROJECTS IN THE PIPELINE THAT MAY BE OF INTEREST TO U.S. INDUSTRY HAVE BEEN REPORTED EARLIER IN REFTEL B. THE NPC CAPITAL
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EXPENDITURE PLAN THROUGH 1983 CALLS FOR THE EXPENDITURE OF 6.2 BILLION DOLLARS, 60 PERCENT OF WHICH IS PROGRAMMED TO COME FROM FOREIGN LOANS.

3. A HEIGHTENED DEMAND FOR PRIVATE ELECTRIC GENERATING EQUIPMENT IS ANTICIPATED FROM THE INCREASED GOVERNMENT EMPHASIS ON THE DISPERSAL OF POPULATION AND INDUSTRIES.

THE PROVINCE OF LUZON IS STILL THE BIGGEST MARKET FOR GENERATING SETS. IN THE METRO MANILA AREA WHERE POWER FAILURE IS VERY CRITICAL TO INDUSTRY, COMMERCIAL AND INDUSTRIAL FIRMS WILL REQUIRE NEW AND RELIABLE STAND-BY EQUIPMENT. OTHER SOURCES OF GROWTH ARE IN THE AGRICULTURAL DUE TO GOP PRIORITY ON INCREASED FOOD PRODUCTION, AND THE IMPROVEMENT OF HEALTH SERVICES THROUGH THE ESTABLISHMENT OF COMMUNITY HOSPITALS IN DEPRESSED AREAS AND THE EXPANSION IN PRIVATE HOSPITAL FACILITIES. LOCAL SUPPLIERS ARE ALSO PROJECTING A GROWING MARKET FOR GENSETS IN MINDANAO BASED ON GOP RECONSTRUCTION AND ECONOMIC DEVELOPMENT PROGRAMS.

4. THE MAJOR GROWTH AREAS IN THE FIELD OF ELECTRIC HARDWARE, SUPPLIES, AND DISTRIBUTION EQUIPMENT LIE IN THE PROPOSED NEW PROJECTS IN THE MINING AND METAL INDUSTRIES, THE EXPANSION OF MANILA INTERNATIONAL AIRPORT AND THE UPGRADING OF OTHER EXISTING AIRPORTS AS WELL AS THE EXPANSION PLANS FOR T & D OF NPC, NATIONAL ELECTRIFICATION ADMINISTRATION (NEA), AND MERALCO.

5. IMPORTS OF EES & P GREW BY 30.8 PERCENT FROM THE 1975 VALUE OF \$70.8 MILLION TO \$92.6 MILLION IN 1976. JAPANESE SUPPLIERS, WITH THEIR ABILITIES TO PURSUE THE TOTAL PACKAGE CONCEPT AND FLEXIBLE FINANCIAL SCHEMES, REMAIN THE LEADING SUPPLIERS WITH A MARKET SHARE OF 32.4 PERCENT IN 1976. U.S. EQUIPMENT ACCOUNTED FOR 27.4 PERCENT OF THE IMPORT MARKET IN 1976 COMPARED WITH 31.5 PERCENT IN 1975 AND 40.1 PERCENT IN 1974.

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WHILE U.S. EQUIPMENT IS RECOGNIZED BY PHILIPPINE END-USERS AS THE LEADER IN TECHNOLOGY, DESIGN, QUALITY AND RELIABILITY, EQUIPMENT SUPPLIED BY THIRD COUNTRY MANUFACTURERS IS GAINING WIDE ACCEPTANCE IN THE MARKET, MAINLY BECAUSE OF LOWER PRICES AND IMPROVING QUALITY.

6. DOMESTIC PRODUCTION OFFERS NEGLIGIBLE COMPETITION AND DOES NOT POSE A THREAT TO IMPORTS OF EES & P. LOCAL PRODUCTION IS GENERALLY LIMITED TO ASSEMBLY OF SMALL GENERATORS, TRANSFORMERS FROM 10 - 500 KVA, SWITCHGEARS, CIRCUIT BREAKERS, DISTRIBUTION PANELS, AND OTHER ELECTRICAL DISTRIBUTION EQUIPMENT.

7. THE ELECTRICAL ENERGY SYSTEMS MARKET IN THE PHILIPPINES OFFERS SUBSTANTIAL AND VARIED OPPORTUNITIES FOR U.S. SUPPLIERS. IT SHOULD BE ATTACKED ON THREE FRONTS: MAJOR PROJECT PACKAGING INCLUDING FINANCING FOR THE NPC POWER EXPANSION PROGRAM, DIRECT SALES PROMOTION OF T & D EQUIPMENT TO MERALCO AND NEA WITH BIDS

ON GOVERNMENT TENDERS FOR THE LATTER, AND AGGRESSIVE
COMMERCIAL MARKETING VIA AGENTS AND DISTRIBUTORS FOR
THE BALANCE OF THE MARKET DEMAND IN THE INDUSTRIAL,
COMMERCIAL, AND AGRICULTURAL SECTORS.

8. AIRGRAM WITH ADDITIONAL DETAILS AND SUPPORTING
STATISTICAL TABLES FOLLOWS:
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Message Attributes

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TAGS: BEXP, RP
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